

also report that he in fact remains true to Rand's goal of returning the United States to a 19th-century-style gold standard. In "Greenspan: Still Going for the Gold," a May 1997 article, and in continuing speeches such as her House Banking testimony this spring, Greenspan's disciple Judy Shelton has repeatedly stated that "for more than three decades Alan Greenspan has endeavored to guide the nation toward sound money. His critics on the right simply cannot appreciate the long-term perspective of Greenspan, who argued powerfully in the 1960s that 'gold and economic freedom are inseparable' and who has steadfastly, albeit slowly, continued to pursue the realization of his intellectual ideals." After quoting Greenspan's 1981 op-ed article entitled "Can the U.S. Return to a Gold Standard?" published in the *Wall Street Journal*, Shelton concluded, "Sound money advocates should take heart these days and realize that Greenspan is following a gameplan laid out long ago."

Addressing the House Banking Committee on May 21, 1999, Shelton stated that Greenspan is in fact aiming to reestablish the "classical international gold standard," in which any individual "can convert paper money into . . . gold as under the old gold standard." She also cited Greenspan's September 1998 Congressional testimony in direct praise of the British gold standard, quoting Greenspan as follows: "Be-

tween our Civil War and World War I, when international capital flows were largely uninhibited, discipline was more or less automatic. Where gold standard rules were tight and liquidity constrained . . . this tended to delimit the misuse of capital and its consequences. Imbalances were generally aborted before they got out of hand."

Given the \$300 trillion international dollar bubble which Greenspan has created, there is at this point only one way in which we could return to the 1918 situation, in which every dollar created has to be backed by a sum of gold extracted from the earth. It would require an enormous uncontrolled sudden crash of the paper value of all those dollars—the financial equivalent of putting out "all the lights in New York," after which Greenspan and his friends are given the power to reorganize.

Those closest to Greenspan believe that he is just in a "transition period" waiting for that day. "Alan believes that there needs to be a transition period," his former wife, Joan Mitchell, told Michael Lewis in May 1995. "He thinks we will get to where he wants to go—but that it will take time." She added that she had asked Greenspan earlier that year whether he weren't getting a little soft in Washington. "I haven't changed my mind," Greenspan replied. "About anything."

## The gold-reserve system vs. British monetarism

What is the difference between a gold-reserve system and the British gold standard? The former is designed to *increase* the availability of credit for productive investment; the latter looks to a deliberate contraction of credit.

On Sept. 22, 1981, as the world was being devastated by Federal Reserve Chairman Paul Volcker's "controlled disintegration," the National Democratic Policy Committee, the LaRouche wing of the Democratic Party, issued a policy statement, drafted under the direction of NDPC Advisory Board Chairman LaRouche, which stated, in part:

"Even at this late hour, the re-introduction of gold into the world monetary system can prevent a major financial crisis and economic depression. The Federal Reserve's incompetent, destructive monetary policy has already pushed the U.S. economy into the second stage of a depression that began immediately after Chairman Volcker's 'Saturday Night Massacre' of Oct. 4, 1979. . . .

"This is a war for the survival of the United States, not—as the Fed has argued—payment for the past sins of

largesse committed by previous administrations. America's banking system is already under the dictatorial control of the 'offshore' money markets, which the Fed has transformed into the only source of liquidity available to American borrowers. Remonetization of gold is the step required to win the war on behalf of American productivity and living standards.

"Step one is to remove the gold issue from monetarist incantation over 'market perceptions,' 'inflationary expectations,' and 'monetary control.' Those disciplines which the American financial system requires may be reduced practicably to a single overriding constraint: We must restrict the expansion of credit to those uses which will improve productivity, output, and exports. . . .

"The flaw in the various monetarist proposals for gold restoration is elementary. The United States must conduct a form of economic warfare against an international financial cartel whose principal objective is to have the carcass of the U.S. economy to pick over. Their ally is the Federal Reserve, and their chief operator is Federal Reserve Chairman Paul Volcker. Without the two fundamental safeguards, i.e., *transparency of sources of credit*, and *priority for productive credits*, the United States monetary authorities will have little to say in the management of the monetary system relative to the London and Cayman Islands offshore centers."